



State of Utah

Department of
Natural Resources

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Executive Director

Division of
Oil, Gas & Mining

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Lieutenant Governor

October 22, 2004

CERTIFIED RETURN RECEIPT
7099 3400 0016 8895 5606

David Penney
Penney's Gemstones
2400 East 30 South
P.O. Box 312
Beaver, Utah 84713-0312

Subject: Failure to Complete LMO Application, David Penney, Sliver 3-4,
S/001/057, Beaver County, Utah

Dear Mr. Penney:

On July 30, 2004 the Division Minerals technical staff met with you in our Salt Lake City office, to discuss the major deficiencies in your Large Mine Plan submitted April 1, 2004 for the Sliver 3-4 Mine. During this meeting, there were several important things the Division asked you to do to complete the Large Mining Plan. We received your response on October 20, 2004 and this letter describes the deficiencies in your response.

1.) The first item you needed to complete was accurate and complete reclamation maps and operational maps. These maps needed to reflect what is currently found onsite in terms of size of pits, waste dumps and roads and then project five years in the future what will be found after mining is complete. This involved you taking engineering cross-sections as explained in the meeting and conceptualizing how these cross-sections will change in the future.

The information we received on October 20, 2004 does not meet this requirement because it fails to provide a legend or reference how the data was collected. We also asked you to provide accurate reclamation maps and operation maps that showed the existing roads, pits labeled and color-coded and include the future reclamation techniques. None of this was done in your submittal.

2.) The second important issue discussed and requested was to get some site specific soils and vegetation information for the mine site. This information was to compliment the reclamation plan.

We understand that you have sent a soil sample away to be analyzed based on the phone call received by you and you stated that you have not received back the information needed. The vegetation data is lacking and also needs to be completed. Please give us some assurance when this will be completed.

We strongly suggest that you obtain the services of a surveyor, professional engineer, or someone who can help you through the permitting and mapping process as the information submitted is still inadequate and the requirements spelled out in our October 8, 2004 letter and again in this letter still apply.

Unfortunately, your failure to *adequately* complete the Large Mining application is *still* placing the Sliver 3-4 mine permit in jeopardy. The Mineral rules at R647-3-113 require that you have Division approval prior to expanding a mining operation beyond five acres of disturbance. Therefore, it is imperative that you:

- supply the necessary and complete information for this large mine application by November 15, 2004; or
- withdraw your application for a large mine and immediately commence to reclaim below five acres. If you choose this option, you must adequately delineate this five-acre area by no later than November 15, 2004. Reclamation of the existing minesite down to less than five acres must be appropriately completed and seeded by November 30, 2004. All seed tags must be kept and the soil must be left in a rough and stable manner.

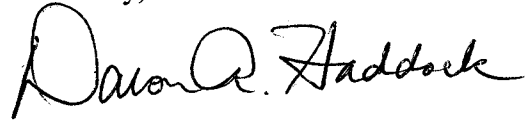
Failure to comply by November 15, 2004, may result in enforcement action, including fines.

If you choose the alternative of reclaiming the minesite below five acres, then you must be made aware that in the future if you expand beyond five acres at any time without first amending your notice(s), posting adequate surety and receiving written approval from the Division, and/or any other agency involved, you will automatically be issued a Notice of Violation.

David Penney
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If you have any further questions regarding the conditions of this letter, please contact me at (801) 538-5325, or Tom Munson at (801) 538-5321.

Sincerely,

A handwritten signature in black ink that reads "Daron A. Haddock". The signature is fluid and cursive, with the first name "Daron" being more prominent than the last name "Haddock".

Daron Haddock
Permit Supervisor
Minerals Regulatory Program

DRH:TM:jb

cc: Ed Ginouves, BLM, Cedar City FO (UTU-71326)
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